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August 14, 2019

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Petition of Dominion Energy South Carolina, Incorporated for an Accounting Order Related to the Installation of Advanced Metering Infrastructure
Docket No. 2019-241-EG

Dear Ms. Boyd:

By this letter, the South Carolina Office of Regulatory Staff ("ORS") hereby notifies the Public Service Commission of South Carolina ("Commission") that ORS has reviewed the petition of Dominion Energy South Carolina, Incorporated ("DESC" or "the Company") for an accounting order related to the installation of advanced metering infrastructure. The petition is seeking an accounting order for regulatory and financial accounting purposes pursuant to S.C. Code § 58-5-220, § 58-27-1540 and S.C. Code Ann. Reg. 103-825.

Overview of Company's Request

The Company requests an accounting order for regulatory and financial accounting purposes authorizing the Company to defer as a regulatory asset certain incremental costs occurred by DESC associated with the installation of Advanced Metering Infrastructure (AMI). The Company seeks to defer the following items:

1) Incremental depreciation expense, property taxes and amortization of implementation costs of associated software incurred by DESC in connection with the installation of AMI for its retail electric customers;
2) Record carrying costs on the balance in the deferred cost regulatory asset at its embedded cost of long-term debt;

3) Reclassify the carrying value of the existing electric meters being replaced to an electric unrecovered plant regulatory asset account, to be included in the Company's rate base consistent with the current treatment for this investment, upon their retirement;
4) Reclassify the carrying value of the existing gas meter Encoder Receiver Transmitter (ERT) devices being replaced to a gas unrecovered plant regulatory asset account, to be included in the Company's rate base consistent with the current treatment for this investment, upon their retirement; and
5) Amortize the unrecovered plant regulatory asset accounts over the estimated composite remaining lives of the replaced meters and ERT devices, respectively.

DESC estimates the investment to be recorded in the regulatory asset accounts to be approximately $98 million for electric and $31 million for natural gas. The Company will record actual costs in the regulatory asset accounts. DESC anticipates that deployment of AMI to natural gas and electric customers will begin in 2020 and continue with completion by December 2022. The Company's request will not involve a change to any retail electric or gas rates or prices at this time or require any change in any Commission rule, regulation, or policy. DESC indicated it intends to file for a general rate increase in 2020.

ORS Recommendations

At the ORS request, the Company provided ORS a cost-benefit analysis performed in support of the Company's AMI investment decision. The cost recovery of the Company's AMI investments will be determined in upcoming general rate proceedings and the gas Rate Stabilization Act process. The Commission approved similar requests in Docket No. 2016-240-E for Duke Energy Carolinas, LLC (DEC) and Docket No. 2018-205-E for Duke Energy Progress, LLC (DEP) to allow for replacement of electric metering infrastructure with AMI and associated technology. The Commission's approval in those prior cases included approval to defer certain costs associated with AMI deployment. The Commission considered the appropriate level of cost recovery for DEC and DEP in subsequent general rate proceedings.

An accounting order represents an exception to test-year principles. It is the first step in mis-matching expenses incurred in one year with revenue from another year. Therefore, deferral accounting should be allowed only as an exception to grant permission to deviate from normal accounting procedures and only in limited circumstances. The Commission has established Administrative Docket No. 2019-233-A to further examine the use and treatment of accounting orders and their impact on utility customers.

ORS does not object to the Company's request for accounting order for certain incremental costs associated with the Company's AMI investments and ORS' position is predicated on the basis that the issuance of an Accounting Order in this matter will not preclude the ORS, the Commission, or any other party, from addressing the reasonableness of these costs, any return sought, including any carrying costs, in a subsequent general rate case or other proceeding. ORS' position on the requested Accounting Order is not dispositive as to any future position on the cost recovery for the Company's AMI investments or in the Administrative Docket No. 2019-233-A. In addition, ORS recommends that the amortization expense shall be at the level of depreciation currently approved in rates until the time of DESC's next general rate case.

ORS recommends DESC residential and non-demand customers be offered the option to "opt-out" of AMI deployment and, instead, have a meter where energy usage would not be communicated via radio frequency. Any costs for this metering arrangement should be paid by customers that subscribe to "opt-out" of the AMI deployment. This "opt-out" option should be available to customers at the same time DESC deploys AMI. In addition, ORS recommends DESC consider a medical waiver for the fees associated with the "opt-out" option. A medical waiver to any "opt-out" fees would be consistent with the Commission's recent approval for Duke Energy Carolinas, LLC and Duke Energy Progress, LLC in Docket Nos. 2016-354-E and 2018-262-E.

ORS recommends that DESC file a Customer Education Plan with the Commission which provides specific detail of how the Company will communicate AMI deployment to its customers, the availability of "opt-out" options and the benefits of AMI for customers.

Yours truly,

Jeffrey M. Nelson

cc: Joseph Melchers, Esquire (via E-mail)
Other Parties of Record (via E-mail)